

# for an Overhaul of the Economy

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**MOSCOW, Aug. 5** — Following are excerpts from the text of a confidential memorandum on Soviet economic reorganization, as translated by The New York Times.

For several decades, the economic development of Soviet society was characterized by high rates of growth and stability. This lulled us into thinking that stability and high growth rates were synonymous with a planned socialist economy.

But the last 12 to 15 years witnessed a tendency to slow down, with the growth in gross national product declining perceptibly. If in the eighth five-year plan (1966-70) the mean annual growth rate was 7.5 percent, and in the ninth five-year plan (1971-75) 5.8 percent, it dropped in the 10th five-year plan (1976-80) to 3.8 percent, and in the opening years of the 11th five-year plan it was only 2.5 percent.

With the rate of population growth standing at 0.8 percent a year, this does not insure the required higher standards of living, or the intensive modernization of industry.

## Common Cause Is Sought

In analyzing the causes behind these negative trends in the economy, some scholars tend to attribute them to worsening mining conditions; more frequent dry years in agriculture, and structural disproportions in the economy, such as lagging investment, an inadequate transport network, a lack of interest among workers in the results of their work, flagging work discipline, and so forth.

All these factors do indeed play their part, but the effect of each is generally limited to a particular economic sector. The deteriorating indicators, however, beset most of the branches of the economy and most of the industrial regions. Therefore there must be a common cause underlying these phenomena.

In our view, it lies in the outdated nature of the system of industrial organization and economic management or simply the inability of the system to insure complete and efficient utilization of the working and intellectual potential of society.

## Features of Present System

The basic features of the existing state system of economic management were shaped roughly five decades ago. This system has been repeatedly amended, renovated and perfected, but it has never undergone a qualitative transformation that

would reflect basic shifts in the forces of production.

The main peculiarities of the system of state economic management include: a very high degree of centralization in economic decision-making; the highly regulated character of planning; the inhibition of market forces; a discrepancy between the prices of consumer goods and production costs; a centralized system of allocation of materials and supplies to all enterprises; the centralized regulation of all forms of material incentives for workers; overlapping authority and resulting confusion among ministries and agencies; the limited economic authority and, as a result, the limited economic liability of enterprises for the results of their economic performance, and restrictions on all forms of unregulated economic activity in the sphere of production, service and distribution.

All these elements reflect the dominance of administrative methods of management over economic methods, and of centralized methods over decentralized ones.

Within the framework of that system, people were regarded as "cogs" in the economic mechanism, and they behaved accordingly — obediently (passively), like machines and materials.

## Changing Conditions Noted

Since then there has been a tremendous change in political and economic conditions. Important changes have occurred in the social status of working people. They are more educated, more cultured, better informed and more competent; they show greater social and legal awareness. And the range of their needs and interests surpasses that of their counterparts in the 1930's, and includes the whole spectrum of social and spiritual values.

Hence society has a pressing interest in granting working people greater leeway in their economic behavior, while still regulating the key aspects of economic and social activity. What this implies is the need to shape economic behavior by adapting the subjective attitudes of working people to social and economic undertakings. And in this pursuit, purely administrative methods are futile.

## Conflict Is Held Inevitable

This will require a profound restructuring of state economic management by abandoning administrative methods, with their high degree of centralized economic decision-making, in favor of a transition to

truly economic methods of management.

For some groups, such a change augurs improvement in their position, for others a worsening. Therefore, attempts by the central organs of power to improve industrial organization and bring it into line with new requirements and conditions cannot but produce conflict. The successful resolution of this problem is possible only on the basis of a well-thought-out strategy aimed at galvanizing those groups that are interested in the change and immobilizing those groups that might hamper it.

The attempts that have been made in the recent five-year plans to restructure economic management have failed to take into account social aspects of this process.

The consensus among Soviet economists is that the existing system of economic management has been characterized by a weakening of the powers of the State Planning Committee, representing the state interest, and by a parallel decline in the powers of the lower entities, i.e. the industrial corporations and enterprises.

In stark contrast, the functions of the intermediate levels of management, the ministries and agencies, have grown out of all proportion, giving rise to departmentalism, to disproportions in the economy, to a growth of economic activity outside the formal economic structure.

Any comprehensive change in economic management will involve a redistribution of rights and responsibilities.

## Fear of Wider Responsibilities

For example, some of the people in the central agencies who may face an expansion of their role are apprehensive at the prospect of greater responsibility since economic methods of management require higher qualifications and increased confidence on the part of executives than administrative methods.

Similarly, a change in industrial organization means a considerable reduction of responsibilities for the personnel of the ministries and agencies as well as substantial limitation of their rights and economic influence.

Moreover, it involves a reduction of personnel, the disbanding of many departments, administrations, trusts, corporations, and so forth, that have been mushrooming in the past decade. It stands to reason that executives who now occupy warm places with an ill-defined range of responsibilities but with quite respectable salaries are not happy at this prospect.

The group most interested in a transition to economic methods of management would be the leading officials of enterprises whose authority is to be vastly expanded, as well as rank-and-file workers and engineers.

## Different Attitudes Noted

But what happens in fact is that these two groups are not homogeneous as far as their attitude toward the projected transition is concerned. Better qualified and more vigorous representatives of these groups favor the change. The less qualified and more inert group of older workers are concerned that they would have to pay a high price for broader rights in terms of broader responsibilities and more intensive labor. And this is not to their liking.

Even under the most rigid regimentation of economic behavior, the population always enjoys a certain amount of freedom to respond to the limitations imposed by the state. Hence, the possibility arises for overt and covert clashes of group and public interests.

## Worker Produced by the System

When established rules and regulations, for instance, limitations on the size of private plots, fishing limits, etc., affect the vital interests of certain categories of people, they look for ways to circumvent the constraints and satisfy their requirements. Then the state introduces still harsher measures to block undesirable forms of activity, in response to which the population comes up with more refined methods that make it possible to meet their interests under the new conditions.

The type of worker that such a system cultivates not only falls short of the needs of developed socialism but

also fails to match the requirements of modern production. His common traits are a low labor and production discipline, an indifferent attitude to work, a shoddy quality of work, social inactivity, a well-pronounced consumer mentality, and low code of ethics.

Also worthy of mention are such widespread activities as pilfering, all sorts of shady dealings at state ex-

pense, the proliferation of illicit business, and a taste for remuneration regardless of the results of work.

Thus we believe that the most important source of social tension in the economy is not just a lack of harmony, but an actual contradiction of interests among vertically dependent groups, workers and team leaders, team leaders and managers, managers and ministers.